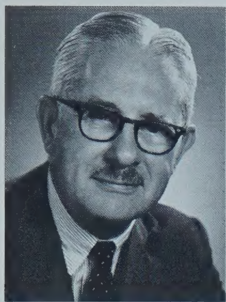
CANADIAN CORPORATE MANAGEMENT COMPANY LIMITED

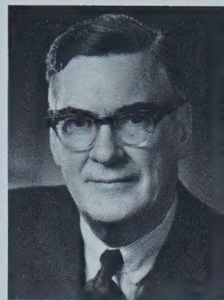
check to see if any addition info - figures approved Feb 29

Annual Report 1971

Officers

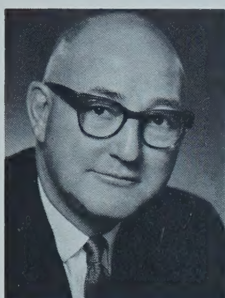


HON. WALTER L. GORDON
Chairman



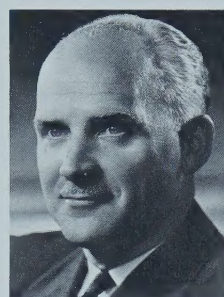
L. C. BONNYCASTLE
President

V. N. STOCK
Executive Vice-President



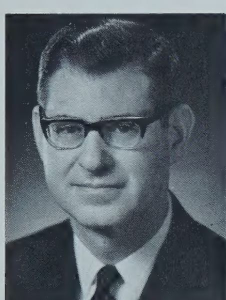
B. H. RIEGER
Vice-President

J. BOYD CLARKE
Vice-President

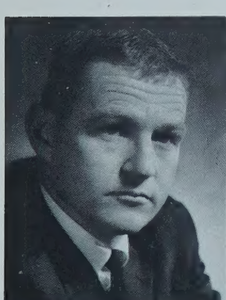


J. P. PARKER
Vice-President

L. W. LARKIN
Vice-President



J. A. MCKEE
Secretary-Treasurer



C. R. HOLLAMAN
Controller

Board of Directors

L. C. BONNYCASTLE	*Toronto*
J. BOYD CLARKE	*Toronto*
R. WINFIELD ELLIS	*Chicago*
C. HOWARD GORDON	*Montreal*
HON. WALTER L. GORDON	*Toronto*
HON. MAURICE LAMONTAGNE	*Ottawa*
L. W. LARKIN	*Toronto*
J. P. PARKER	*Toronto*
B. H. RIEGER	*Toronto*
GODFREY S. ROCKEFELLER	*New York*
V. N. STOCK	*Toronto*

Head Office

Suite 1602, 50 King Street West, Toronto, Canada

Transfer Agents

NATIONAL TRUST COMPANY, LIMITED
Toronto and Montreal

BANKERS TRUST COMPANY
New York

Directors' Report to the shareholders:

Our company had a good year in 1971. Improvements over the results in 1970 are indicated by the following summary:

	1971	1970
Sales	$115,119,000	$101,871,000
Income before extraordinary items	3,053,587	2,328,762
Income per share before extraordinary items	$1.43	$1.09
Working capital	22,655,523	20,355,985
Equity per share	$15.54	$14.64

Sales increased by 13%. Net income per share increased 31% from $1.09 per share to $1.43 per share. Working capital at the end of 1971 amounted to $22,655,523, an increase of $2,299,538 during the year; equity per share increased from $14.64 as of December 31, 1970, to $15.54 on December 31, 1971.

The net income in 1971 would have been appreciably higher if it had not been for a costly strike at Dominion Forge which lasted from September 17, 1971, to February 1, 1972. We are pleased that it is over and that the union representatives have said, "we have reason to hope that this settlement will bring an entirely new aspect in employer/employee relations", and "the union will co-operate 100% to improve conditions at the plant. It is in our interests as well as management's to keep the place going and we intend to do just that". The management at Dominion Forge is equally committed to the above objectives and we are hopeful that greatly improved industrial relations will result in the future. We believe that if everyone works together in a co-operative spirit, Dominion Forge once again will become a successful enterprise and a place in which all employees will be proud to work.

As indicated in Note 6 to the financial statements, the company disposed of certain investments at a profit in 1971 and recovered income taxes as a result of settlements relating to a predecessor company. It has decided to write down our investment in Napanee Industries Limited which has been unprofitable. This has had the effect of reducing the amount of the above "windfall" profits to a net figure of $280,642.

As was the case last year, the subsidiaries in the "Merchandising" and "Light Manufacturing and Processing" classifications were responsible for the improvement in the company's earnings. For some years now, a greater emphasis has been placed on the expansion of these areas and a consequent reduction in our involvement in heavy manufacturing. The table on page 13 shows the trend of the company's operations over the past ten years and the steadily rising importance of our merchandising and light manufacturing activities.

During 1971 we continued to search for acquisitions and the following investments have been made:

- As mentioned in last year's report, Larkin Lumber Company acquired a controlling interest in Peterborough Lumber Company early in 1971. In addition, Larkin Lumber has recently purchased two outlets in the paint and wallpaper field from Canadian Wallpaper Manufacturers Limited. These stores operate under the name "Decomart" and are located in Toronto.
- A major interest in Jelinek Sports Limited was purchased as of October 31, 1971. This acquisition has enabled us to move into the leisure field and Mr. Frank Jelinek who has been responsible for the rapid growth and development of the company has retained an interest in it and continued as its president.
- Heron Cable Industries Limited, a leading manufacturer of electric heating cable was purchased by Canadian Chromalox in October 1971.
- Seal-On Products of London, Ontario, a small label company was purchased by Canada Decal.

At a special general meeting of the shareholders on December 13, 1971, approval was given to the creation of two classes of common shares, Class "A" and Class "B", each of which is convertible into the other at any time. The Class "A" shares correspond to the old common shares and dividends on them are taxable in the hands of the shareholders in the ordinary way. Distributions to the Class "B" shareholders will be at exactly the same rate as the dividends on the Class "A" shares. However, the company will pay a tax of 15% thereon and the remaining 85% will be paid to the shareholders free of any further income tax, though the valuation base for capital gains tax purposes will be decreased by any cash dividends received by a Class "B" shareholder. At the date of this report, there were 993,454 Class "A" shares and 1,148,438 Class "B" shares outstanding.

Several changes in the officers and directors will be proposed at the company's annual meeting on April 5, 1972. Mr. L. C. Bonnycastle, who has been our President (or Managing Director) for some twenty years, is resigning from that position to become Vice-Chairman of the Board. When Mr. Bonnycastle took over in September, 1952, the company had $6,155,000 of preferred stock outstanding and the retained earnings and contributed surplus amounted to $296,000. During the intervening years, the preferred stock has been redeemed and the retained earnings and contributed surplus increased to $32,858,000 at December 31, 1971. During his last year as President, the company's net income rose to an all-time high. These are no mean achievements. Moreover, because of his fairness and even temper, as well as his abilities and talents, Mr. Bonnycastle enjoys the respect, trust and affection of all those who have worked with him, both at head office and in our subsidiary companies. All of them will be pleased to know that he will continue to serve the company on a full-time basis as Vice-Chairman.

It is proposed that Mr. V. N. Stock, who has been Executive Vice-President for the past year, will become President. Mr. Stock came to us in August, 1967, as Vice-President and General Manager (later President) of Canadian Chromalox and did an outstanding job with that company. More recently, as Executive Vice-President of Canadian Corporate Management Company Limited, he has acquired an intimate knowledge of our company's operations and those of most of its subsidiaries. We are confident that the company will continue to grow and to prosper under Mr. Stock's leadership and direction.

It was with the greatest regret that the Board of Directors accepted the resignation of the Honourable H. deM. Molson in October 1971. Senator Molson had been a director of our company and of its predecessor, Canadian Management Company Limited, since their inception. Without his help and enthusiasm, it would have been very difficult to raise the capital to get the original company under way in 1945. His contributions since then have been unstinting.

Mr. C. Howard Gordon, who also has been a director since the inception of Canadian Management Company Limited, has retired from most of his former business activities and has requested that his name be not presented for re-election at the annual meeting. The common sense and sound judgment, as well as the pleasant company of Senator Molson and Mr. Gordon, will be very much missed by all of us.

Mr. Alex. J. MacIntosh, Q.C., and Mr. A. G. S. Griffin will be proposed to fill the two vacancies.

The over-all results of Canadian Corporate Management in 1971 have been gratifying. As we look forward to an improvement in the economy, we expect the 1972 results will continue to improve.

Submitted on behalf of the Board of Directors.

Walter L. Gordon, *Chairman*

TORONTO, CANADA, March 1, 1972

OPERATING COMPANIES

Canada Decalcomania Company Limited

Toronto

and its subsidiary

Eagle Transfers Limited

Lichfield, England

MANUFACTURERS OF DECALS AND PRESSURE SENSITIVE PRODUCTS

R. C. BROAD

President

The Canadian Chromalox Company, Limited *Toronto*

and its subsidiary

Heron Cable Industries Limited

Kitchener

MANUFACTURERS OF HEATING ELEMENTS AND ELECTRICAL HEATING AND AIR CONDITIONING EQUIPMENT

Z. D. SIMO,

Vice-President and General Manager

Dominion Forge Company Limited *Windsor*

PRODUCERS OF HOT STEEL FORGINGS AND COLD EXTRUSIONS

J. P. HALADA,

President

The Guelph Engineering Company Limited

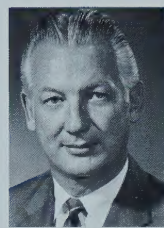
Guelph

MANUFACTURERS OF VALVES FOR THE PIPELINE AND FLUID PROCESS INDUSTRIES

J. R. GAUCH,

Vice-President and General Manager

IEC-Holden Ltd. *Montreal*



MANUFACTURERS AND DISTRIBUTORS OF RAILWAY AND INDUSTRIAL EQUIPMENT

C. W. SMITH,

President

Jelinek Sports Limited *Oakville*

MANUFACTURERS AND DISTRIBUTORS OF SPORTING GOODS

F. V. JELINEK,

President

The Larkin Lumber Company Limited *Mississauga*

and its subsidiaries

Canada Cashway Lumber Company Limited

Burnel Graham Limited

Cashway Decomart Company

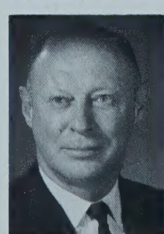
Penn Building Centres Limited

The Peterborough Lumber Company, Limited

DISTRIBUTORS OF LUMBER AND BUILDING PRODUCTS AND MANUFACTURERS OF MILLWORK AND KITCHEN CUPBOARDS

L. W. LARKIN, *President*

Milltronics Limited *Peterborough*

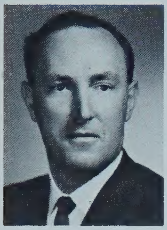


MANUFACTURERS OF ELECTRONIC CONTROL SYSTEMS

J. P. GEMMELL,

Vice-President and General Manager

Napanee Industries (1962) Ltd. *Napanee*



MANUFACTURERS OF RAILWAY SPECIALTIES, WATER POLLUTION CONTROL SYSTEMS AND BOILERS

R. P. O'CALLAGHAN,
Vice-President and General Manager

Parker's Dye Works & Cleaners Limited

Toronto
DRY CLEANERS AND LAUNDERERS

R. R. MCGILLIVRAY
Vice-President and General Manager

Northern Pigment (1970) Limited *Toronto*

MANUFACTURERS OF SYNTHETIC IRON OXIDES FOR PIGMENT AND ELECTRONIC APPLICATIONS

R. F. TAYLOR,
Vice-President and General Manager

Richardson, Bond & Wright, Limited *Owen Sound*

LITHOGRAPHERS, PRINTERS AND BOOKBINDERS

C. G. FLEMING,
President

Welmet Industries Limited *Welland*

MANUFACTURERS OF STEEL AND ALLOY CASTINGS AND VALVES

R. C. O'DELL,
Vice-President and General Manager

Report on Operations

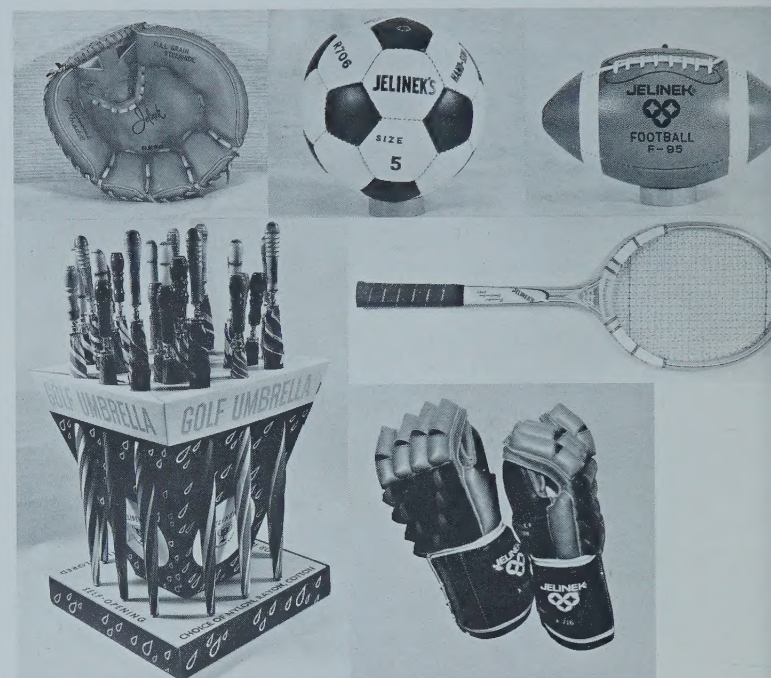
Following the practice of recent years the operations of the subsidiaries of Canadian Corporate Management Company Limited are reported by industry classification on Page 13. The figures show that the earnings from the merchandising group of companies increased from 46¢ per share to 61¢ per share and from the light manufacturing and processing group from 46¢ per share to 80¢ per share while there was a decrease in earnings from the steel forging, casting and fabricating group to 2¢ per share compared with a profit of 17¢ per share in 1970. The following comments will outline the operations of the companies in the three classifications.

Merchandising

The merchandising group of companies had a most successful year and was able to take full advantage of the strengthening economy which was a reflection of increased liquidity in the money market and a return of confidence among consumers.

The Larkin Lumber Company Limited moved forward in co-ordinating the operations of Canada Cashway Lumber with those of Penn Building Centres and Peterborough Lumber and maintained its leadership in the building supplies field. These subsidiaries were also active in real estate development and during the year built over 80 houses in the greater Peterborough area and sold lots and built cottages in several of the recreational areas of Ontario. Further prospects for additional growth are the result of the purchase of two outlets in the paint and wallpaper supply business. These are retail outlets located in the city of Toronto operating under the name of "Decomart" which were acquired from Canadian Wallpaper Manufacturers Ltd. in early 1972.

Jelinek Sports Limited has been included with the merchandising group but only two months of its operations are reflected in the consolidated figures as its purchase was concluded as of October 31, 1971. For some time Canadian Corporate Management has sought representation in the leisure and sports fields and this acquisition covers both areas. The President, Mr. Frank Jelinek, has retained an interest in the company and has planned a broad programme of expansion of the company's activities.



Sporting goods marketed by Jelinek Sports Limited.

Capital expenditures of the railroads were higher in 1971 than in recent years and IEC-Holden's operating results reflected increased sales of railroad equipment. Industrial sales were also greater than in the previous year but competition was keen and profit margins in this field were lower. Overall IEC-Holden's sales and profits were improved and there appears to be further potential for growth in 1972.

Parker's Dye Works & Cleaners Limited (formerly New Method Laundry) has integrated the operations of Spick & Span Cleaners and Parker's Dye Works, and while its contributions to the earnings of Canadian Corporate Management are not significant, it is in a position to increase its sales and earnings in 1972.

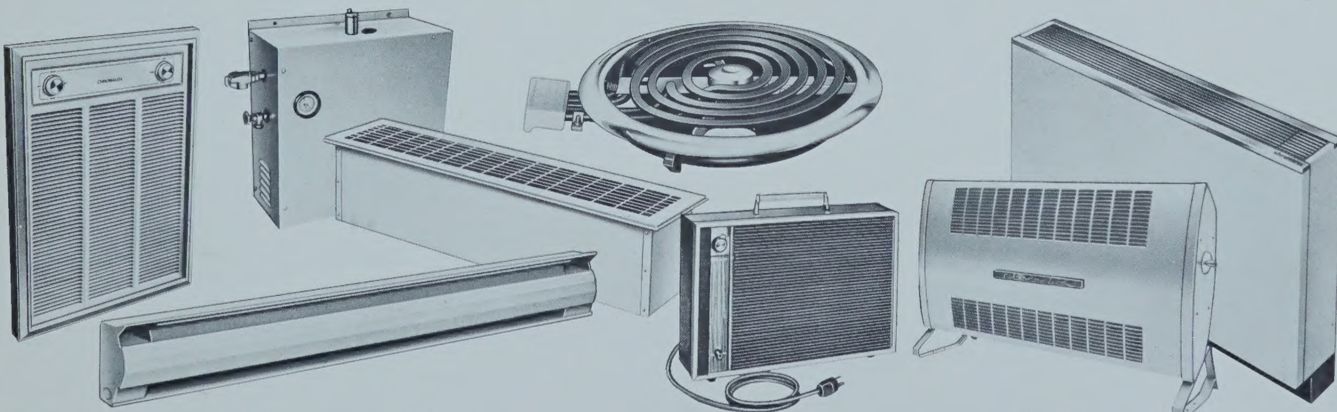
Damage-free bulkhead for installation in railway boxcars marketed by IEC-Holden Ltd.

Samples of catalogues and books printed by Richardson, Bond & Wright.

Light Manufacturing and Processing

The increase in housing starts and the enlarged market for electrical appliances has been fully reflected in the sales and earnings of Canadian Chromalox. In addition, the company has expanded its operations both vertically and horizontally so that its sales and earnings base has increased significantly. The acquisition of Heron Cable Industries Limited, a company manufacturing all types of heating cable, is an example of this expansion.

Richardson, Bond & Wright has settled into its new plant in a satisfactory manner and prospects for the future are excellent. Last year's report stated that earnings would be restricted in 1971 as a result of the costs of moving plus the burden of increased depreciation and interest charges. This was the case but with heavy non-recurring costs behind the company and with the benefits of the new plant and healthy sales increases in prospect, 1972 should be a very satisfactory year.



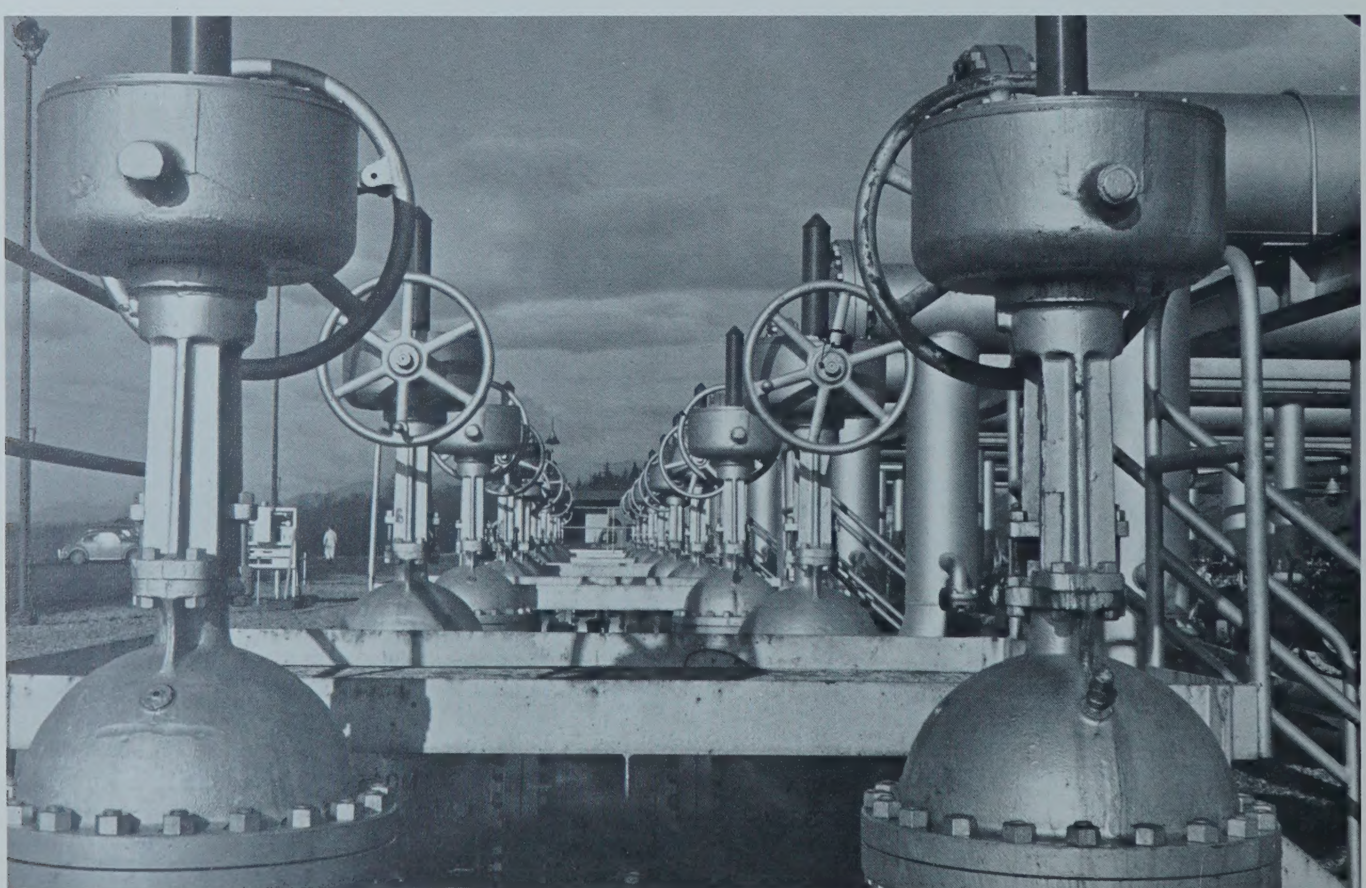
Range plate and comfort heating products manufactured by Canadian Chromalox.

The improvement in the consumer and construction fields was also advantageous to Northern Pigment (1970) Limited. It supplies iron oxide pigments for colouring in the building supplies field, with particular emphasis on paint and concrete products. In addition electronic grades of iron oxide were in demand from the manufacturers of diversified types of electronic equipment such as coloured television sets, hand appliances and fractional horsepower motors. The company has been able to improve the quality of its products through research and development which has been supported by the Federal Government's programme of aid for this purpose and it plans to expand the range of its products through further research.

The acquisition in 1970 of Canada Decalcomania Company Limited and its associated U.K. company, Eagle Transfers Ltd., promises to be a very satisfactory purchase. The combined earnings of the two companies were in line with the projected figures, but more importantly a base for further expansion has been made. During 1971, a small label company, Seal-on Products, of London, Ontario, was purchased and added to Canada Decal's label division and a line of consumer decal products has been developed. As a result sales and earnings in 1972 should show substantial growth.

Milltronics sales and earnings were in line with the figures for last year which in themselves were disappointing. The prospects for 1972 will depend on the ability of the company to develop new proprietary products and increase its share of the market.

Gear operated gate valves designed and manufactured by Guelph Engineering, and installed in Trans-Mountain's Burnaby Terminal.



Forgings for the automotive industry manufactured by Dominion Forge.

Stainless steel castings produced by Welmet Industries.

Steel forging, casting and fabricating

This group of companies had an unsatisfactory year in 1971. Napanee Industries again suffered a loss; Welmet Industries and Guelph Engineering had relatively poor results for the year, in the former case due to its heavy dependence on capital expenditures by the pulp and paper industry, and in the latter case because of severe competition from offshore manufacturers of valves; Dominion Forge suffered from a long and expensive strike.

It is expected that results for this group will not be substantially improved in 1972 as the strike at Dominion Forge was not settled until February 1st and it will be sometime before sales and production can be brought back to profitable levels. However, in the longer term it is expected that these companies will make a satisfactory contribution to the overall earnings of Canadian Corporate Management.

L. C. Bonnycastle

L. C. Bonnycastle, *President*

Canadian Corporate Management Company Limited

(Incorporated under the Canada Corporations Act)

Consolidated Balance Sheet/ December 31, 1971

(with 1970 figures for comparison)

ASSETS

	1971	1970
Current Assets:		
Cash	$ 1,005,749	$ 463,183
Marketable securities at cost (market value $1,856,000; 1970—$2,497,000)	1,798,594	2,454,326
Accounts receivable	16,989,826	17,342,359
Inventories (note 2)	21,027,839	17,111,089
Prepaid expenses	331,383	272,154
Total current assets	41,153,391	37,643,111
Fixed Assets, at cost (note 3)	37,218,098	33,221,536
Less accumulated depreciation	21,106,327	18,335,673
Net fixed assets	16,111,771	14,885,863
Other Assets:		
Non-current accounts receivable		144,935
Mortgages and other investments at the lower of cost or estimated realizable value	1,358,882	1,251,250
Patents and lease at cost less amortization	486,285	560,853
Excess of cost of investments in subsidiary companies over underlying value of net assets at dates of acquisition	497,398	
Total other assets	2,342,565	1,957,038
	$59,607,727	$54,486,012

The accompanying notes are an integral part of the financial statements

Auditors' Report

To the Shareholders of
CANADIAN CORPORATE MANAGEMENT COMPANY LIMITED:

We have examined the consolidated balance sheet of Canadian Corporate Management Company Limited as at December 31, 1971 and the consolidated statements of income, surplus, and source and use of funds for the year then ended. Our examination included a general review of the accounting procedures and such tests of accounting records and other supporting evidence as we considered necessary in the circumstances, except for certain subsidiary companies whose statements have been examined and reported on by other chartered accountants.

In our opinion, which insofar as it relates to the amounts included for subsidiary companies whose statements have not been examined by us is based solely on the reports of other chartered accountants, these financial

LIABILITIES AND SHAREHOLDERS' EQUITY

	1971	1970
Current Liabilities:		
Bank advances	$ 6,012,780	$ 7,165,485
Accounts payable and accrued charges	10,548,509	8,731,569
Taxes due and accrued	1,239,389	982,849
Dividends payable	474,217	299,865
Current portion of long-term liabilities	222,973	107,358
Total current liabilities	18,497,868	17,287,126
Deferred Income Taxes	110,583	401,941
Long-term Liabilities (note 4)	4,500,739	3,362,428
Minority Interest in Subsidiary Companies	3,210,971	2,067,531
Shareholders' Equity:		
Capital stock (note 5)		
Authorized—		
4,000,000 Class "A" convertible common shares without par value		
3,000,000 Class "B" convertible common shares without par value		
Issued and fully paid—		
1,046,814 Class "A" shares		
1,095,078 Class "B" shares		
2,141,892 shares issued and fully paid	429,373	429,373
Surplus	32,858,193	30,937,613
Total shareholders' equity	33,287,566	31,366,986
	$59,607,727	$54,486,012

Approved by the Board:
WALTER L. GORDON, *Director*
L. C. BONNYCASTLE, *Director*

statements present fairly the financial position of the companies as at December 31, 1971 and the results of their operations and the source and use of their funds for the year then ended, in accordance with generally accepted accounting principles applied on a basis consistent with that of the preceding year.

Toronto, Canada
March 3, 1972.

DELOITTE, HASKINS & SELLS
Chartered Accountants

Canadian Corporate Management Company Limited

Consolidated Statement of Income

FOR THE YEAR ENDED DECEMBER 31, 1971
(with 1970 figures for comparison)

	1971	1970
Sales	$115,119,000	$101,871,000
Income from operations before providing for the undernoted items	9,003,821	7,270,325
Deduct:		
Depreciation	2,105,973	1,550,456
Amortization of patents and lease	74,568	75,168
Interest on long-term liabilities	354,013	164,671
	2,534,554	1,790,295
	6,469,267	5,480,030
Add:		
Income from investments	206,370	242,069
Equity in income of 50%-owned company	182,654	130,349
	389,024	372,418
	6,858,291	5,852,448
Deduct provision for income taxes	3,362,000	3,160,000
	3,496,291	2,692,448
Deduct interest of minority shareholders in income of subsidiary companies	442,704	363,686
Income for the year before extraordinary items	3,053,587	2,328,762
Income per share before extraordinary items (note 5)	$1.43	$1.09
Add extraordinary items (note 6)	280,642	191,482
Net income for the year	$ 3,334,229	$ 2,520,244
Net income per share (note 5)	$1.56	$1.18

Consolidated Statement of Surplus

FOR THE YEAR ENDED DECEMBER 31, 1971
(with 1970 figures for comparison)

	1971	1970
Retained earnings at beginning of the year	$ 29,920,670	$ 28,599,886
Net income for the year	3,334,229	2,520,244
	33,254,899	31,120,130
Dividends (56¢ per share plus an extra dividend of 10¢ in 1971)	1,413,649	1,199,460
Retained earnings at end of the year	31,841,250	29,920,670
Contributed surplus	1,016,943	1,016,943
Surplus at end of the year	$ 32,858,193	$ 30,937,613

The accompanying notes are an integral part of the financial statements.

Canadian Corporate Management Company Limited

Allocation of Sales and Income before Extraordinary Items by Class of Business

(expressed in thousands of dollars)

	1971			1970		
	Sales	Income before extra-ordinary items (see note below)	Income per share before extra-ordinary items	Sales	Income before extra-ordinary items (see note below)	Income per share before extra-ordinary items
Merchandising	$ 57,887	$1,310	$ .61	$ 42,348	$ 981	$ .46
IEC-Holden Ltd.						
Jelinek Sports Limited						
The Larkin Lumber Company Limited						
Parker's Dye Works & Cleaners Limited						
Light manufacturing and processing	36,821	1,703	.80	28,396	989	.46
Canada Decalcomania Company Limited						
Canadian Chromalox Company Limited						
Milltronics Limited						
Northern Pigment (1970) Limited						
Richardson, Bond & Wright Limited						
Steel forging, casting and fabricating	20,411	41	.02	31,127	359	.17
Dominion Forge Company Limited						
Guelph Engineering Company Limited						
Napanee Industries (1962) Ltd.						
Welmet Industries Limited						
Total	$115,119	$3,054	$1.43	$101,871	$2,329	$1.09

Note—The income before extraordinary items is after deducting the interest of minority shareholders in the income of certain subsidiaries and the allocation of Head Office expenses on the basis of income.

Allocation of Income per Share before Extraordinary Items by Class of Business FOR THE YEARS 1962 TO 1971 INCLUSIVE

	Total	Merchandising	Light Manufacturing and Processing	Steelforging Casting and Fabricating
1962	$ .23	$ (.11)	$ .17	$ .17
1963	.46	(.12)	.15	.43
1964	.80	(.07)	.19	.68
1965	1.07	.17	.11	.79
1966	1.40	.39	.44	.57
1967	1.04	.48	.10	.46
1968	.51	.38	.25	(.12)
1969	1.25	.57	.54	.14
1970	1.09	.46	.46	.17
1971	1.43	.61	.80	.02

Note—For comparative purposes the dividends paid on preference shares in the years 1962-1964 have been ignored in computing the income per share.

Canadian Corporate Management Company Limited

Consolidated Statement of Source and Use of Funds

FOR THE YEAR ENDED DECEMBER 31, 1971
(with 1970 figures for comparison)

	1971	1970
SOURCE OF FUNDS:		
Net income for the year after extraordinary items	$ 3,334,229	$ 2,520,244
Add (deduct) items not requiring an outlay of funds:		
Depreciation and amortization	2,180,541	1,625,624
Decrease in deferred income taxes	(291,358)	(115,824)
Write down of fixed assets of subsidiary companies to estimated realizable value	575,000	
Funds from operations	5,798,412	4,030,044
Funds from long-term borrowings	1,138,311	3,362,428
Increase in minority interest in subsidiary companies	1,143,440	305,258
Net book value of fixed asset disposals	195,669	80,638
Decrease in non-current accounts receivable	144,935	96,099
Total	8,420,767	7,874,467
USE OF FUNDS:		
Purchase of fixed assets	4,102,550	5,657,594
Dividends	1,413,649	1,199,460
Increase (decrease) in mortgages and other investments	107,632	(85,287)
Excess of cost of investments in subsidiary companies over underlying value of net assets	497,398	
Total	6,121,229	6,771,767
Increase in working capital	2,299,538	1,102,700
Working capital at beginning of year	20,355,985	19,253,285
Working capital at end of year	$22,655,523	$20,355,985

The accompanying notes are an integral part of the financial statements.

Notes to the Consolidated Financial Statements

DECEMBER 31, 1971

1. Companies Acquired
During the year the company acquired, through subsidiary companies or directly, controlling interest in Peterborough Lumber Company Limited, Heron Cable Industries Limited, Jelinek Sports Limited and Eagle Transfers Limited. Under an agreement pertaining to the acquisition of one of these companies Canadian Corporate Management Company Limited is obligated to pay, over a five year period, additional amounts, as determined by a formula based upon earnings, not to exceed in the aggregate $700,000. The assets and liabilities of these recent acquisitions are included in the accompanying 1971 consolidated balance sheet, while their operating results are included in the consolidated statement of income for the period from the effective dates of acquisition to December 31, 1971.

2. Inventories
Inventories are stated at the lower of cost or market with cost being determined substantially on a first in, first out basis. The market value of finished goods represents net realizable value and for other inventories represents replacement cost. At December 31, 1971 the inventories are as follows:

Finished goods	$11,740,000
Work in process	3,148,864
Raw materials	6,138,975
	$21,027,839

3. Fixed Assets
The major categories of fixed assets and related accumulated depreciation and amortization (calculated using substantially declining-balance method) at December 31, 1971 are as follows:

	Fixed Assets	Accumulated Depreciation and Amortization	Rates
Buildings	$11,562,937	$ 4,150,160	4-10%
Machinery and equipment	23,314,245	16,559,040	20-30%
Leasehold improvements	651,736	397,127	term of lease
	35,528,918	21,106,327	
Land	1,689,180		
	$37,218,098	$21,106,327	

4. Long-term Liabilities

Non-interest-bearing loan due August 20, 1973	$ 159,875
8% mortgage due February 1, 1993, repayable in monthly installments	424,151
8% notes payable in semi-annual installments of $49,925 to July 14, 1975	399,402
7½% note payable in annual installments of $50,000 to December 1976	250,000
7½% note payable – due in equal annual installments of $15,000	105,000
Bank term loans bearing various interest rates from 7% to 8½%, $2,400,000 maturing in 1975 and the balance maturing during the period 1976 to 1978, secured by floating charges and first mortgages on the assets of certain subsidiaries	3,229,000
Government of Canada, non-interest-bearing loan, secured	156,284
	4,723,712
Less due within one year shown as a current liability	222,973
	$4,500,739

5. Capital Stock

On December 14, 1971 the company obtained supplementary letters patent authorizing—

(a) an increase in the authorized capital stock from 3,000,000 common shares without par value to 4,000,000 shares; these shares are now designated as Class "A" convertible common shares without par value;

(b) a further increase in the capital stock by the creation of 3,000,000 Class "B" convertible common shares without par value.

Up to December 31, 1971 the holders of 1,095,078 Class "A" shares had converted their shares into a similar number of Class "B" shares.

The shares of both classes are fully-voting, full equity shares, are convertible into each other on a one-for-one basis and rank equally with respect to dividends and in all other respects. The only distinction between the two classes of shares is that the directors may, in declaring a dividend on the Class "B" shares, specify that the dividend shall be paid out of tax-paid undistributed surplus on hand in which case the company pays a tax of 15% and the shareholder receives the balance of 85% which is not subject to any further income tax in his hands though the valuation base for capital gains tax purposes will be decreased by the amount received by the Class "B" shareholders.

On November 18, 1971 the Board of Directors granted to officers of the Company, (certain of whom are also directors of the Company) options to purchase 72,500 shares of the Company over the period from the option date to December 31, 1976 at $11.50 per share. If the earnings per share are computed on a fully diluted basis the earnings per share would be $1.38 on income before extraordinary items and $1.51 on net income for the year.

6. Extraordinary Items

	1971	1970
Gain on disposal of investments and other assets less income taxes of $45,183 in 1971.	$244,554	$ 30,666
Recovery of income taxes as a result of settlements relating to a predecessor company (less income taxes of $89,000 on the interest earned)	543,325	
Income tax reduction resulting from utilization of prior years' losses	92,763	215,150
	880,642	245,816
Deduct:		
Cost of relocation of manufacturing facilities less applicable income tax reduction of $78,000		54,334
Write-down of underlying assets of subsidiary companies to estimated realizable value less estimated income tax reduction of $425,000	600,000	
	$280,642	$191,482

7. Remuneration of Directors and Officers

Remuneration of directors and senior officers, as defined in the Ontario Securities Act, totalled $455,603. Remuneration of directors and officers, as defined in the Canada Corporations Act, was as follows:

(a) The Company's twelve directors received aggregate remuneration as directors of the company of $7,200.

(b) The Company's ten officers received aggregate remuneration as officers of the company of $426,975.

Seven of the Company's officers were also directors.

In addition, a director of the company received aggregate remuneration of $146,755 in his capacity as an officer of a subsidiary.

8. Pension Fund

At December 31, 1971 the unfunded past service costs of employees' pension plans amount to $2,290,000 ($2,655,000 in 1970) actuarially estimated. This amount will be charged to operations over an eighteen year period.

9. Foreign Exchange

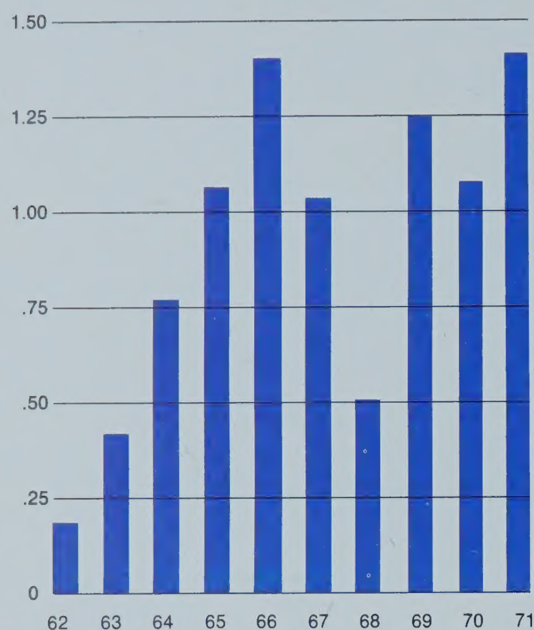
Foreign currencies have been translated to Canadian dollars as follows: income and expenses at average exchange rates during the year; non-current assets and non-current liabilities at historical rates; current assets and current liabilities at rates in effect at the year end.

10. Contingent Liabilities

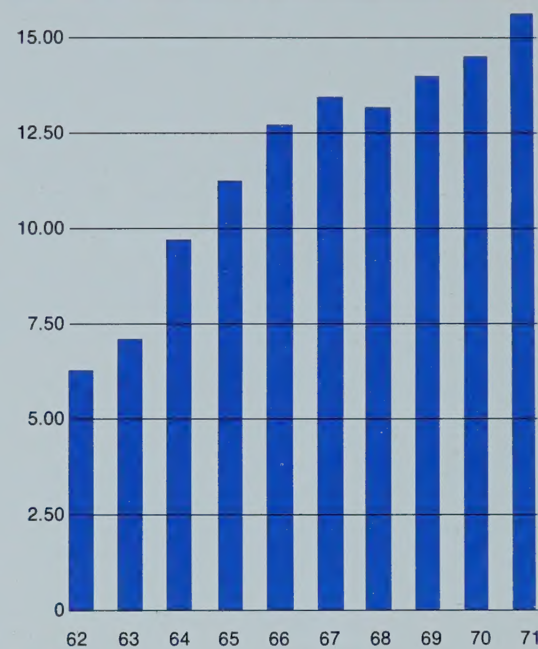
At December 31, 1971 subsidiary companies were contingently liable for $710,000 in respect of customers' notes discounted, letters of credit and a forgiveable loan from the Ontario Development Corporation.

11. Certain 1970 figures in the financial statements have been reclassified to conform with the 1971 presentation.

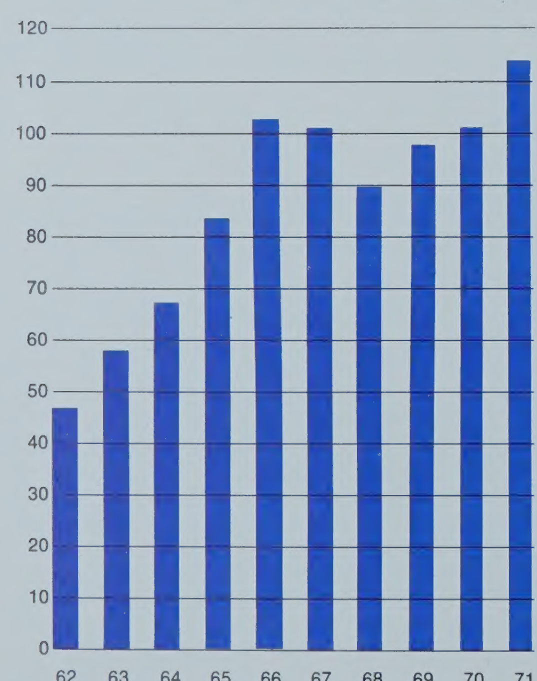
INCOME PER SHARE BEFORE EXTRAORDINARY ITEMS
in dollars



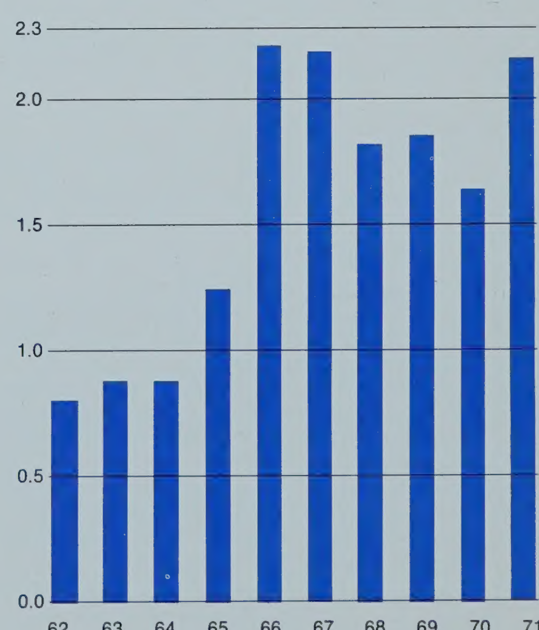
EQUITY PER SHARE
in dollars



SALES
in millions of dollars



DEPRECIATION AND AMORTIZATION
in millions of dollars



CANADIAN CORPORATE MANAGEMENT COMPANY LIMITED

Annual Report 1971